

## Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

AGR-20 DRC-01 /135 W

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R 071515Z JUN 74

FM AMEMBASSY KIGALI

TO SECSTATE WASHDC 3008

INFO USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 1 OF 2 KIGALI 0333/1

E.O. 11652: N/A

TAGS: EGEN

SUBJ: WERTHEIM TEA INVESTMENT

ALSO FOR USAID

REF: (A) KIGALI 280; (B) EC BRUSSELS 3220; (C) STATE 115689

1. BEGIN SUMMARY- I HAVE OVER PAST TWO WEEKS DISCUSSED WERTHEIM PROJECT WITH CROSS-SECTION INTERESTED GOR PARTIES, LOCAL FOREIGN ADVISORS AND DONORS (INCLUDING FED) AND TEA SOURCES. MY CONCLUSIONS AT THIS POINT ARE THAT (A) WERTHEIM PROJECT IS STILL ALIVE, BUT UNDERMINED, (B) PROSPECT FED COOPERATIVE FINANCING WITH WERTHEIM IS REMOTE AND BY CDC NIL, (C) RAPID AVAILABILITY FINANCING IS KEY WERTHEIM FACTOR, AND (D) A NEW SIDE ISSUE OF DISPUTED CONTRACTS CAN ALSO UPSET PROJECT. RECOMMENDATIONS: LETTER INTENT OPTION QUESTION NOT RPT NOT BE RAISED WITH GOR AT THIS TIME. OVERALL PROJECT AND FINANCING POSSIBILITIES (INCLUDING USAID) BE DISCUSSED (AS APPROPRIATE) WITH WERTHEIM BY DEPT/AID REPS AND FORMER DCM SHOSTAL (AVAILABLE JUNE 10). ACTION LIMITED OFFICIAL USE

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REQUESTED: STATUS REPORT PROSPECTS IFC OR IBRD FINANCING.

COMMENTS ON POTENTIAL AID FINANCING. REPORT OF MEETING  
WITH WERTHEIM. END SUMMARY

2. COMMENTS UNDERLYING THESE CONCLUSIONS AND RECOM-  
MENDATIONS ARE AS FOLLOW:

A. WERTHEIM PROJECT VIABILITY-IN GENERAL, GOR  
WISHES SEE TEA PRODUCTION EXPANDED AND FACTORY CONSTRUC-  
TED. TECHNOCRATS ARE LESS CONCERNED WITH WHO DOES IT  
PRESIDENCY STILL FAVORS WERTHEIM BUT IS CONCERNED AT  
DELAY. CERTAIN KEY PRESIDENTIAL ADVISERS PARTICULARLY  
FAVOR WERTHEIM BECAUSE OF STIMULUS THEY BELIEVE PRIVATE  
INVESTOR WOULD GIVE TO CURRENT STATE-OWNED TEA INSTITU-  
TIONS. WERTHEIM OPPONENTS CONSIST OF (A) GOR INTERESTS  
AND FOREIGN ADVISERS WHO SEE WERTHEIM PROJECT AS THREAT  
TO THEIR ROLE AND PRESTIGE AND (B) GOR "DIRIGISTES" WHO  
ARE BASICALLY UNCOMFORTABLE WITH PRIVATE INVESTOR  
INITIATIVE. THESE OPPOSITION INTERESTS LOST OUT WHEN  
PRESIDENT HABYARIMANA OVERRULED THEM ON LETTER INTENT  
(LI); THEY NOW HOPE VITIATE THAT DECISION BY DEMONSTRATING  
WERTHEIM UNABLE IMPLEMENT LI BECAUSE OF LACK FINANCING.  
THUS, HIS APRIL 30 LETTER IS BEING CITED AS EVIDENCE  
AGAINST PROJECT SINCE IT NOTES EXPLICITLY (A) THAT EARLY  
IFC/IBRD FINANCING UNLIKELY (PARTICULARLY IN TIME FOR  
ON-STREAM PRODUCTION BY SEPT. 1976) AND (B) PLACES  
EMPHASIS ON FED OR CDC FINANCING WHOSE PROSPECT LOCALLY  
APPEARS DIM. IN LONG RUN, GOR WILL NOT BE PREPARED FOREGO  
TEA EXPANSION/FACTORY FINANCED BY OTHER INTERESTS IN  
ORDER WAIT FOR WERTHEIM. WERTHEIM HAD THE INITIATIVE,  
BUT HE IS NOW IN DAMAGING HOLDING PATTERN.

B. FED FINANCING-VERY MUCH APPRECIATE EC BRUSSELS  
3220 WHOSE CONTENTS HAVE BEEN CONFIRMED HERE ("DIPLOMATIC  
LANGUAGE" CONCERNING WERTHEIM OPTION IN MEMO SIGNED BY  
FED VISSIR AND GOR AGDIRGEN IS AS FOLLOWS: "...HAVING  
BEEN INFORMED OF CERTAIN NEGOTIATIONS UNDERWAY WITH  
PRIVATE PARTIES CONCERNING THE MANAGEMENT OF A FACTORY  
AND THE MARKETING OF TEA FROM RWANDA, FED EXPRESSED HOPE  
OF BEING INFORMED OF OUTCOME WHICH WILL BE AN IMPORTANT  
ELEMENT BEARING ON FINAL FED POSITION CONCERNING ITS  
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PARTICIPATION...") HOWEVER, SOURCES UPON WHOM WE PLACE  
CONSIDERABLE RELIANCE STATE THAT WHILE FED (AND CDC)  
CRITICIZED WERTHEIM PROJECT ON VARIOUS GROUNDS, BOTH  
INSTITUTIONS INDICATED NEITHER INTENDS COOPERATE WITH  
AN AMERICAN PRIVATE INVESTOR IF A EUROPEAN ALTERNA-  
TIVE CAN BE DEVELOPED. PUT POLITELY, THEIR POSITION  
REPRESENTS A PRO-EUROPEAN BIAS; BUT PRACTICALLY, IT IS  
ANTI-AMERICAN DISCRIMINATION. RIBANJE VOLUNTEERED FED

VISSIR WAS "QUITE CLEAR ON THAT POINT" AND WE HEAR SAME TUNE FROM OTHER SOURCES. RIBANJE ALSO STATED HE OUTLINED OPTION RATIONALE (ALONG LINES STATE 107635) TO VISSIR, BUT WAS REBUFFED (I AM SEEKING APPOINT AGDIRGEN TO CHECK. RIBANJE REPORTEDLY ALSO CONTINUES BELIEVE FED OFFICIAL "GRUNER" CAN REVERSE FED POSITION AND RIBANJE INTENDS VISIT BRUSSELS JUNE 15 TO THAT END). I THUS TAKE SKEPTICAL VIEW FUTURE FED COOPERATION EVEN IF LI SEMANTICALLY REVISED. I ACCORDINGLY DO NOT RPT NOT BELIEVE IT WISE URGE GOR RAISE OPTION MATTER (REFTEL C) WITH WERTHEIM AT THIS TIME (NOTE QUALIFICATION CONTAINED PARA 4).

C. CDC FINANCING-CDC PURSUED SAME LINE DURING ITS VISIT REPORTEDLY STATING COOPERATION WITH NON-COMMONWEALTH/EUROPEAN PRIVATE INTERESTS OUTSIDE ITS POLICY GUIDELINES. WE ALSO KNOW KEY GOR ADVISER RECOMMENDED CDC VISIT US EMBASSY TO DISCUSS PROJECT, BUT CDC TEAM FLATLY REFUSED. AS INDICATED REFTEL C, WE UNDERSTAND CDC NOW DEVELOPING PROJECT PROPOSAL WHICH WOULD (A) EXPAND ACREAGE TO EQUIVALENT WERTHEIM PROPOSAL, (B) INCREASE CDC FINANCING TO LEVEL WHERE ONLY RWANDAN DEVELOPMENT BANK WOULD BE PARTNER, AND (C) HAVE "PRIVATE" IMAGE THROUGH FACTORY MANAGEMENT CONTRACT BY UK FIRM. THUS, REALISTIC PROSPECT CDC-WERTHEIM COOPERATION IS NIL.

D. OTHER RPT OTHER FINANCING-WERTHEIM CAN OUTFLANK HIS CRITICS AND COMPETITION WITHIN GOR AND ABROAD IF HE CAN DEVELOP IN NEAR FUTURE THE APPROXIMATELY \$500,000 NEEDED TO COMPLETE THE FINANCING PACKAGE. POSSIBLE SOURCES APPEAR TO BE AS FOLLOWS:

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

AGR-20 DRC-01 /135 W

----- 094970

R 071550Z JUN 74  
FM AMEMBASSY KIGALI  
TO SECSTATE WASHDC 3009  
INFO USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 2 OF 2 KIGALI 0333/2

E.O. 11652: N/A  
TAGS: EGEN  
SUBJ: WERTHEIM TEA INVESTMENT

ALSO FOR USAID

1. WERTHEIM-WERTHEIM IS JUDGE HIS FINANCIAL POSITION AND IMPORTANCE THIS PROJECT HIS FINANCIAL INTERESTS, BUT AUGMENTATION HIS INVESTMENT WOULD ASSIST MOMENTUM. OUR IMPRESSION IS WERTHEIM UNWILLING TO EXPAND HIS RISK(ALTHOUGH OPIC ROLE MIGHT BE EXAMINED). ONE OF LOCAL CRITICISMS AGAINST WERTHEIM IS THAT SELF-FINANCED PORTION IS MINIMAL. I ALSO BELIEVE THERE IS DECENT CHANCE THAT INCREASE WERTHEIM INVESTMENT WOULD BE MET BY AUGMENTED GOR FUNDS.

2. IFC/IBRD-WHAT IS STATUS IFC/IBRD FINANCING PROSPECTS? IS TIMING AS DISCOURAGING AS PORTRAYED IN WERTHEIM APRIL 30 LETTER? IS IT POSSIBLE DECISION BY EITHER COULD BE ACCELERATED IF EXPECTED POSITION POSITIVE? EARLS IFC/IBRD DECISION WOULD RESTORE MOMENTUM AND IS PROBABLY MOST LIKELY SOURCE REQUISITE FINANCING. RIBANJE DECIDED NOT RESPOND TO LIMITED OFFICIAL USE

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APRIL 30 REQUEST FROM WERTHEIM FOR AFFIRMATIVE GOR CABLE ON ACCEPTABILITY IFC FINANCING AS LONG AS FED PROSPECT EXISTS. DURING MEETING OTHER MATTERS, I INFORMED SECGEN PRESIDENCY BUREGEYA OF GOR NON-RESPONSE. HE CONFIRMED GOR AGREEMENT IN PRINCIPLE TO IFC PARTICIATION AND I SUSPECT RIBANJE DELAY WILL BE OVER-RULED AND GOR RESPONSE SENT IN NEAR FUTURE.

3. USAID-POTENTIAL USAID ROLE WAS DISCUSSED DURING USAID FOOD MARKETING TEAM VISIT. AID TEAM VIEW APPEARED BE THAT DIRECT AID ROLE (AS OPPOSED TO OPIC GUARANTEE) WOULD BE DIFFICULT. EMBASSY UNINFORMED FRAMEWORK ANY POTENTIAL AID PARTICIPATION. HOWEVER, I AM NOT RPT NOT ADVERSE ALLOCATION APPROXIMATELY \$500,000 FROM ANTICIPATED RWANDA AID FUNDS TO WERTHEIM PROJECT ON GROUNDS (A) PROJECT WOULD PROVIDE IMPORTANT INPUT TO ECONOMIC DEVELOPMENT IN KEY EXPORT INDUSTRY, (B) PROVIDE VISIBLE AMERICAN PRESENCE WITH RAPID IMPLEMENTATION WHICH IS IMPORTANT

POLITICAL CONSIDERATION, AND (C) PROVIDE SEMI-PRIVATE INVESTMENT MODEL FOR RWANDA WHILE PROMOTING US INVESTMENT/ COMMERCIAL INTERESTS. FROM PRACTICAL STANDPOINT, IT IS CONCEIVABLE THAT COMMITMENT PROPOSED FY-75 RWANDAN AID FUNDS WILL BE DEPENDENT ON LENGTH OF TIME NEEDED TO DEVELOP (A) OUTLINE VOLCANOS PARK PROJECT, AND (B) REVIEW LAKE KIVU REGIONAL DEVELOPMENT SCHEME--PARTICULARLY IF SWISS-FRG HAVE FINANCING PROBLEMS ON MAIN ROAD. THUS, ALLOCATION \$500,000 TO WERTHEIM PROJECT MIGHT BE REALISTIC OPTIMUM FROM STANDPOINT IMPLEMENTATION.

E. CONTRACT DISPUTE-GOR/OCIR/TEA HAS INFORMED WERTHEIM (AND SEVERAL OTHER TEA DEALERS) THAT IT WILL NOT HONOR CERTAIN CONTRACTS SIGNED BEFORE OCIR/TEA ESTABLISHED ON GROUNDS THAT (A) GOR TEA COSTS HAVE DRASTICALLY INCREASED (FUEL, WAGES ETC), (B) FORWARD PRICES WERE TOO LOW, AND (C) CERTAIN INTERNAL GOR PROCEDURES WERE NOT FOLLOWED SO CONTRACTS NOT VALID FROM GOR STANDPOINT. ACCORDING OUR INFO, WERTHEIM UNDERSTANDABLY TAKES POSITION THAT (A) A CONTRACT PUT FORWARD IN GOOD FAITH IS A CONTRACT, (B) IF WORLD PRICE HAD FALLEN, HE WOULD HAVE HAD TO ABSORB LOSS, AND (C) IF GOR NULLIFICATION IMPLEMENTED, ITS TEA WILL BE EFFECTIVELY LIMITED OFFICIAL USE

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BLACKBALLED FROM WORLD MARKET. EMB INVESTIGATION OF CONTRACTS UNCOMPLETED, BUT OUR BELIEF AT THIS POINT IS THAT GOR/OCIR/TEA IS ENGAGED IN ILL-ADVISED EXERCISE. I HAVE ACCORDINGLY STRESSED IN CONVERSATIONS THAT, REGARDLESS OF ANY LEGALITIES, LONG-RANGE IMPORTANCE GOR REPUTATION IN ATTRACTING FOREIGN CAPITAL AND IN PRODUCT MARKETING IS SUFFICIENTLY GREAT TO OFFSET ANY CURRENTLY FOREGONE INCOME. HOWEVER, IF OCIR/TEA ADHERES ITS POSITION, WERTHEIM COULD VERY WELL CANCEL INVESTMENT PROJECT IN RETALIATION. IF OCIR/TEA YIELDS, FURTHER AMMUNITION WILL BE GIVEN TO WERTHEIM OPPONENTS TO ATTACK HIM ON GROUNDS OF EXPLOITING RWANDA. I BELIEVE OCIR/TEA CANNOT MAINTAIN ITS PRESENT POSITION UNDER PRESSURE. IT MIGHT BE WILLING TO ACCEPT COMPROMISE ON ISSUE WHICH (HOWEVER MUCH IT MIGHT BE ANATHEMA TO CONTRACT SANCTITY) MIGHT NOT BE TOO ONEROUS FINANCIALLY FOR WERTHEIM. ONE SOLUTION WHICH MIGHT BE PARTICULARLY USEFUL IN CURRENT CONTEXT WOULD BE AN AGREEMENT FOR WERTHEIM TO INCREASE HIS INVESTMENT BY THE DIFFERENTIAL BETWEEN ORIGINAL TEA PRICE OF THE DISPUTED CONTRACTS AND THE RENEGOTIATED PRICE. (HOWEVER, WE HAVE NOT YET RECEIVED SUFFICIENT INFO FROM GOR OR WERTHEIM TO ESTABLISH TOTAL VALUE IN DISPUTE).

3. PRESIDENTIAL APPROACH-BEARING IN MIND PRESIDENT

HABYARIMANA'S PREVIOUS FAVORABLE DECISION ON WERTHEIM,  
HIS INTEREST IN "RESOLVING PROBLEMS" AND USG INTEREST  
IN WERTHEIM PROJECT, I WILL NOT HESITATE TO REQUEST TO  
SEE PRESIDENT ON MATTER PROVIDED (UNDERLINED) FIRM  
FINANCING IS AVAILABLE. IF FINANCING ARRANGED, OTHER  
PROBLEMS BECOME SECONDARY, ALTHOUGH (A) GOR MIGHT WISH  
LI REVISED TO AVOID FED TEA SANCTION, AND (B) QUESTION  
OF CONTRACTS WOULD STILL HAVE TO BE SOLVED SEPARATELY  
OR INCLUDED IN PACKAGE SOLUTION. HOWEVER, I WOULD NOT  
WISH TO MAKE SUCH AN APPROACH UNTIL ASSURED WERTHEIM  
IS SUFFICIENTLY COMMITTED TO PROJECT TO PURSUE IT THROUGH  
FURTHER NEGOTIATIONS, I.E. I WOULD NOT WANT TO RAISE  
MATTER PRESIDENTIAL LEVEL ONLY TO HAVE WERTHEIM WITHDRAW.

4. ACTION REQUESTED: STATUS REPORT ON PROSPECTS IFC/IBRD  
FINANCING WERTHEIM PROJECT AND COMMENTS ON POTENTIAL AID  
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FINANCING. DEPARTING DCM SHOSTAL WILL BE IN US  
BEGINNING JUNE 10 (TEL: 914-762-3169) THUS PRESENTING  
OPPORTUNITY FOR OVER-ALL REVIEW OF PROJECT WITH DEPT/  
AID AND WERTHEIM.  
FRITTS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TEA, INDUSTRIAL PLANTS, FOREIGN INVESTMENTS, PROGRAMS (PROJECTS), DEVELOPMENT LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 JUN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974KIGALI00333  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740148-0227  
**From:** KIGALI  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1974/newtext/t19740666/aaaacejd.tel  
**Line Count:** 304  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION AF  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) KIGALI 280; (B) EC BRUSSELS 3220, ; (C) STATE 115689  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 APR 2002 by izenbei0>; APPROVED <13 JUN 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** WERTHEIM TEA INVESTMENT ALSO FOR USAID  
**TAGS:** EGEN, EFIN, EAID, EIND, US, RW, WERTHEIM TEA IMPORTERS INC, FED, (WERTHEIM)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005